WASHINGTON (November 30) – The House Financial Services Committee continued its efforts to promote job creation by easing the burden government regulations impose on the private sector with the approval today of three bills that fix derivatives provisions of the Dodd-Frank Act.

Since January, the Committee has led efforts to identify and fix job-killing provisions in the Dodd-Frank Act, as well as remove regulatory barriers standing in the way of an economic recovery. As the nation’s economy continues to struggle, the Committee has offered proposals to help the private sector grow and create jobs. To date, the Committee has approved 18 bills designed to encourage job creation and economic growth.

Chairman Spencer Bachus said, “The three derivatives bills approved today will bring much needed certainty to the over-the-counter derivatives market. They will help ensure that the U.S. is not placed at a competitive disadvantage with the rest of the world; that markets develop based on the needs of the participants and not on what Washington bureaucrats think a market should resemble; and that end-users are able to efficiently hedge their risks."

Capital Markets and Government Sponsored Enterprises Subcommittee Chairman Scott Garrett said, “With our economy on life support and the national unemployment rate at 9%, we need all hands on deck in Congress to bring much-needed relief to out of work Americans. I’m pleased that the Financial Services Committee answered the call today by approving several common-sense proposals that will help alleviate and clarify over-reaching regulations while breathing life into our economy and spurring main street job creation.”

In addition to the three bills dealing with derivatives provisions of the Dodd-Frank Act, the Committee also approved H.R. 3512, which revises the Abraham Lincoln Commemorative Coin Act to allow distribution of the surcharges collected on the sales of the coin.

The Full Committee approved the following bills to fix the derivatives provisions of the Dodd-Frank Act:

H.R. 2586, the Swap Execution Facility Clarification Act:

H.R. 2586 directs the CFTC and SEC to promulgate rules for swap execution facilities and security-based swap execution facilities (SEFs) to effectuate Congressional intent that SEFs can serve as an alternative to exchanges and provide an execution facility for illiquid or thinly-traded swaps. The legislation was approved by a voice vote.H.R. 2586 ensures SEFs can serve as a platform for executing swaps and security-based swaps by:

- requiring immediate execution of matched trades;
- allowing market participants to receive and respond to a single quote;
- removing regulatory obstacles that require SEFs to have a minimum number of participants receiving bids or offers; and
- Ensuring that trading platforms executing swap transactions include voice-based and hybrid trading models.
- Does not allow the government to dictate market structure.

H.R. 2586 was introduced by Capital Markets Subcommittee Chairman Garrett and Rep. Robert Hurt.

H.R. 2682, The Business Risk Mitigation and Price Stabilization Act

The Business Risk Mitigation and Price Stabilization Act provides clarity to the derivatives title of the Dodd-Frank Act by reconfirming the end-user exemption from margin and capital requirements. End-users are firms and companies that use derivatives to manage their risks, not to speculate. H.R. 2682 was approved by a voice vote.Through colloquies during the debate on Dodd-Frank and plain-language statute, legislators made their intent clear that the derivatives title was not meant to impose margin requirement on end users. Yet, regulators have interpreted the derivatives title to give them authority to impose margin requirements on end-users.

H.R. 2682 was introduced by Reps. Michael Grimm, Gary Peters, Austin Scott, and William Owens.

H.R. 2779, introduced by Rep. Steve Stivers.

H.R. 2779 provides an important clarification to the Dodd-Frank Act derivatives title, which treats inter-affiliate swaps the same as swaps between unrelated counterparties. Without correction, companies may face double the costs associated with hedging legitimate business risks. The legislation was approved unanimously by a vote of 53 to 0.H.R. 2779 ensures entities under a common corporate ownership are able to appropriately manage risks without unnecessary costs. Under the legislation, inter-affiliate swaps will be exempt from the margin, clearing and reporting requirements of the Dodd-Frank Act.

H.R. 2779 was introduced by Reps. Steve Stivers and Marcia Fudge.